

SUSAN JOHNSON GRANT NOMINATION

HEARING BEFORE THE COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

on the

NOMINATION OF SUSAN JOHNSON GRANT, NOMINEE TO BE CHIEF
FINANCIAL OFFICER OF THE DEPARTMENT OF ENERGY

FEBRUARY 26, 2004



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SUSAN JOHNSON GRANT NOMINATION

THURSDAY, FEBRUARY 26, 2004

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 2:30 p.m., in room SD-366, Dirksen Senate Office Building, Hon. Pete V. Domenici, chairman, presiding.

OPENING STATEMENT OF HON. PETE V. DOMENICI, U.S. SENATOR FROM NEW MEXICO

The CHAIRMAN. I have just been informed the minority member, Senator Bingaman, asks that I proceed on the basis that he has already talked with you. So with that, we will get going here.

The first thing I wanted to recognize is that you have—the reason we have a crowd is because you have all your relatives here. And so why do we not start with just asking them to stand up? And I will just say that it is good that you have so many wonderful relatives who would be supporting you. And you have told me that your husband and your 84-year-old father are here.

Ms. GRANT. Yes, sir.

The CHAIRMAN. And I am just going to say all of the rest of you cannot be any closer than those two, so we are going to say thanks to all of you through them for coming.

It is not going to take us long, and her desire that she get this job—other things go slow once they get to the Senate, Susan, which is not my doing.

[Laughter.]

The CHAIRMAN. Good afternoon and welcome for this hearing where we are going to consider the nomination, your nomination to be Chief Financial Officer for the Department of Energy. The rules of the committee, which apply to all nominees requires that they, one, be sworn in in connection with their testimony.

Please rise and raise your right hand.

Do you solemnly swear that the testimony you are about to give to the Senate Committee on Energy and Natural Resources shall be the truth, the whole truth and nothing but the truth?

Ms. GRANT. I do.

The CHAIRMAN. Please be seated.

[Pause.]

The CHAIRMAN. Before we begin your statement, I will ask you three questions that are addressed to each nominee before this committee.

One, will you be available before the committee and other congressional committees to represent the Department's position and respond to issues of concern to the Congress?

Ms. GRANT. I will.

The CHAIRMAN. Are you aware of any personal holdings, investments, or interests that could constitute a conflict or create the appearance of such a conflict should you be confirmed and assume the office to which you are being nominated by the President?

Ms. GRANT. My investments, personal holdings and other interests have been reviewed both by myself and the appropriate ethics counselors within the Federal Government. I have taken appropriate action to avoid any conflicts of interest. There are no conflicts of interest or appearances thereof to my knowledge.

The CHAIRMAN. Are you involved or do you have any assets held in blind trust?

Ms. GRANT. No.

The CHAIRMAN. Let me say that it is a challenge these days to find qualified individuals who are willing to serve and devote themselves to government service, so I want to thank you for your long history of competent service to our government and your willingness to accept this position at the Department.

I understand that you have—I was repeating your family. That is already done.

[Laughter.]

The CHAIRMAN. I wanted to say to you before you give your statement, which I hope is brief—and what you do not say we will make a part of the record. I just want to tell you that I have more than a bit of knowledge of the Department of Energy, and it is a very, very tough department, very confusing and very—there is no straight line to very many things. They curl and go around the table and all kinds of funny things.

You have a very tough job catching on and getting it done, but I think that if you are really as diligent and—that—as diligent as you are committed, things will work out.

I want to indicate to you, as chairman of the committee, I also happen to be chairman of the subcommittee which pays for all of what you do, and I would be very glad to at any time you would like to confer or discuss with you whatever you would like.

With that, could you give us your opening statement? Whatever you have ready will be made a part of the record, and you take 5 minutes and give us your statement.

STATEMENT OF SUSAN JOHNSON GRANT, NOMINEE TO BE CHIEF FINANCIAL OFFICER, DEPARTMENT OF ENERGY

Ms. GRANT. Thank you, Mr. Chairman. Thank you for the opportunity to appear before you today.

I am honored to be the President's nominee to be Chief Financial Officer at the Department of Energy. And I have submitted a formal statement, and I appreciate you including that, sir. If I could, I would like to briefly summarize my statement.

Before I begin, because it is extremely important to me to have my family and friends here, I do want to recognize them myself, as you have done, and I appreciate that, sir. My strongest sup-

porter and trusted partner is my husband, Douglas Grant, a former Air Force Colonel, who served the Nation in uniform for 24 years.

My anchor and my guide is my father, C.A. Johnson, a World War II veteran, and my stepmother, Ann; my sage advisor, my father-in-law, Edmund Grant, also a World War II Veteran and his wife Marie; and my siblings, my brother, Charles Johnson and wife, Betty; my sister, Faye Johnson; my sister, Brenda Johnson King; my brother, Richard Johnson; my brother-in-law, Jeffrey Grant, and rounding out the group—and my brother, Richard Johnson. And rounding out the group are my Aunt Annette and Uncle Billy Benefield and my good friends, Melody Robinson, Hyesuk Bellino and Richard Aiken.

And, Mr. Chairman, you know it is family and friends that keep us grounded and remind us what public service is all about.

And good government is about what we do every day as responsible stewards for the American taxpayer. Public service is a trust. It is a calling that I take with utmost seriousness. I believe it important to tell you a little bit about myself, what I bring to the table, and what you as the Department's oversight body can expect from me.

First, I have served the Nation as a public servant for over 30 years in the Defense Department, from weapon system development as a logistician, to manpower management as a budget officer, to fiscal responsibility as the chief financial officer in my present position at the Defense Finance and Accounting Service. I am a responsible, fully accountable and engaged manager and leader.

Second, growing up in the Defense Department brings with it considerable rigor, structure and accountability. The resource management process has at its very core a strict discipline, where planning drives budget, which results in execution and tracks back to planning. A disciplined review process throughout the cycle ensures planning is focused on quantifiable needs, and final budget decisions are focused on maximizing mission accomplishment with minimum resources.

This process produces results. Using this rigor in the Defense Finance and Accounting Service, we reduced our costs to our military customers by over \$250 million in the last two fiscal years, while exceeding previous quality levels. I like that discipline. It is a closed-loop system and ensures that resources are tied to results. If confirmed, I would pursue a similar disciplined approach for ensuring strategy drives budget, is linked to execution, and is measured by results.

Third, I believe we should manage the Government more like a business with an open book policy. There is room to adopt solid financial business practices in all areas of government, regardless of how efficient or effective we may believe our operations to be.

Financial transactions result from business decisions, not vice versa, and sound accounting principles dictate the treatment of those transactions on the financial statements. That is universal, or should be, and is what the Chief Financial Officers Act of 1990 is all about in its move to bring government accounting more in line with private sector accounting.

I am proud to say that, under my leadership, the Defense Finance and Accounting Service became the first operational entity to receive an unqualified or clean opinion on its financial statements. That means that our records conformed with accounting principles generally accepted in the United States, not just in government. And not only did we receive one such opinion, we have now received four consecutive clean opinions.

Equally important, the Department of Energy has received clean opinions for the last 5 years. If I am confirmed, a top priority of mine will be to ensure that this record of success continues.

At the same time, it is important to keep in mind that audits are a means to an end, and not an end unto themselves. It is really about using quality information to improve the decision making process. Successful businesses operations, regardless of private or public sector focus, need forward-looking information, or what I like to refer to as front windshield versus rearview mirror snapshots.

So often our financial information is more akin to rearview mirror data, telling us where we have been instead of what we need to know about where we are going. Managers need intelligence, business intelligence, not just more financial data. If confirmed, I would work to provide the Department's managers the information they need to make informed decisions, providing better business intelligence for decision makers.

Fourth, I am a solid proponent of performance measurement and, with that, you get the accountability in government we all want. We all recognize you get what you measure, so identifying the appropriate kinds of metrics is critical to successful organizations.

I believe performance measurement success comes when an organization moves from identifying inputs, raw materials, and goes beyond outputs, producing widgets, to focusing on outcomes or results.

At the Defense Finance and Accounting Service, through the use of metrics, we cascaded the balanced scorecard throughout the agency linking organizational and individual performance plans to these measures. As a senior executive, my individual performance evaluation is directly tied to my organization's performance measures and, likewise, I link the individual performance plans of my direct reports to their organizational measures. This is performance accountability at work. If confirmed, I would continue this pursuit for performance measurement and accountability in government operations.

And finally, relationship management and the value of solid working relationships built on mutual respect, confidence in information sharing, and open communications. If I am confirmed, I want to build on the relationship between the Department's Chief Financial Officer and this committee and other committees to pursue what is best for the Nation as a whole. You can count on me to be open, honest, and forthright.

Mr. Chairman, I grew up on a farm in rural Georgia, a proud daughter of C.A. Johnson. My father taught me many things. I recall one very important piece of advice he gave me, and I want to share it with you all in closing. He taught me while there are many ways you can get your foot in the door, there's only one way you

can keep it there, and that is through your skill, ability, and integrity. I come before you today, I believe, well equipped for the task at hand.

If confirmed, I pledge to work with you to remain in the door, just like my daddy taught me.

Mr. Chairman, this concludes my statement. Thank you for your consideration of my nomination and the opportunity to appear before you today. I would be pleased to respond to any questions you all may have.

The CHAIRMAN. Thank you very much.

[The prepared statement of Ms. Grant follows:]

PREPARED STATEMENT OF SUSAN JOHNSON GRANT, NOMINEE TO BE CHIEF
FINANCIAL OFFICER, DEPARTMENT OF ENERGY

Chairman Domenici, Senator Bingaman, and distinguished Members of the Committee, I am honored to appear before you today as President Bush's nominee to be the Chief Financial Officer of the Department of Energy. I am also extremely grateful for the confidence that Secretary Abraham has placed in me.

Mr. Chairman, I would like to introduce my support group who has accompanied me today, a select group of family members and special friends. My most ardent supporter, valued friend, and trusted partner, my husband, Douglas Grant, a former Air Force colonel. My father, C. A. Johnson, a World War II Veteran hailing from the great state of Georgia and my stepmother, Ann. My father-in-law, Edmund Grant, also a World War II Veteran representing the state of Florida and his wife Marie. And my siblings: my brother Charles Johnson and wife Betty; my sister Faye Johnson; my sister Brenda Johnson King; and my brother Richard Johnson. Each of them is also from Georgia with the exception of my sister Faye who joins us from Nevada. I am also pleased to have my Aunt Annette and Uncle Billy Benefield, also from Georgia, here and my good friends, Melody Robinson, Hyesuk Bellino and Richard Aiken. I want to thank all those assembled today as well as those family members and friends unable to attend for their unending support.

I have served the Nation as a public servant for the past 30 years and, if confirmed, I will continue to put the interests of the Nation as my top priority. Public service is a trust, a calling that I take with utmost seriousness. I believe it important to tell you a little about myself, what I bring to the table, and what you as the Department's oversight body can expect from me.

First, as you may be aware, my entire career has been in Defense and it has been focused on one facet or another within the resource management arena. From weapon system development as a logistician to manpower management as a budget officer to fiscal responsibility as a chief financial officer in my present position, I am a fully accountable, responsible and engaged manager and leader. These attributes are directly transferable to the Department of Energy.

Second, growing up in the Defense Department brings with it a certain amount of rigor, structure and accountability. The resource management and funds distribution process within Defense, what we refer to as the Planning, Program, Budgeting and Execution System, has at its very core a strict discipline. That discipline is founded in the need for a viable strategic planning process driven by mission priorities, integrated with resource allocation practices and linked to execution in measurable ways, in other words planning drives budget which results in execution and tracks back to a plan. A disciplined review process throughout the cycle ensures planning is focused on quantifiable needs and final budget decisions are focused on maximizing mission accomplishment with minimum resources. It's the basic capability needs assessment with gaps in performance levels defined, evaluated and resource levels quantified for trade-off decisions. This process produces results. Using this rigor in the Defense Finance and Accounting Service, we reduced our costs to our military customers by over \$250 million in the last two fiscal years. I like that discipline as it's a closed-loop system and ensures that resources are tied to results. If confirmed, I would pursue a similar disciplined approach for ensuring strategy drives budget, is linked to execution and measured by results.

Third, I believe we should manage the government more like a business with an open book policy. There is room to adopt solid financial business practices in all areas of government operations, regardless of how efficient or effective we may believe our operations to be. The Chief Financial Officers Act of 1990 outlined certain statutory responsibilities for the CFO. Prominent among them is the preparation of

an annual report that includes the Department's financial statements and audit. Financial transactions result from business decisions, not vice versa, and sound accounting principles dictate the treatment of those transactions on the financial statements. That's universal, or should be, and is what the CFO Act of 1990 is all about in its move to bring government accounting more in line with private sector accounting.

I am proud to say that, under my leadership, the Defense Finance and Accounting Service became the first operational entity in the Defense Department to receive an unqualified or clean audit opinion on its financial statements. This means that our records conformed with accounting principles generally accepted in the U.S., not just in government. Not only did we receive one such opinion, but we have now received four consecutive clean audit opinions. These annual audits were conducted by two different independent private sector audit firms with the most recent audit occurring while we converted to a new accounting system. Obtaining a clean opinion builds credibility with organizational stakeholders and instills confidence in the fiscal health upon which the organization rests. Equally important, the Department of Energy has received clean opinions for the last five years. If I am confirmed, a top priority of mine will be to ensure that this noteworthy record of success continues.

At the same time, if confirmed, I would work to provide the Department's managers the information they need to make informed decisions, providing better business intelligence for decision-makers. Audits are a means to an end, not an end unto themselves. It's really about using quality information to improve the decision making process and successful businesses need forward-looking information, or what I like to refer to as "front windshield" versus "rear view mirror" snapshots. So often, our financial information has been more akin to rear view mirror data, telling us where we've been instead of what we need to know about where we're going. This analogy ties back to my earlier remarks on the disciplined review process and the need for the direct linkage between mission and budget priorities. Managers need intelligence, business intelligence, not just more financial data. If confirmed, this will continue to be a priority for me—to ensure that financial data is turned into information to enable knowledge for sound business decision making.

Fourth, I am a solid proponent of performance measurement and with that you get the accountability in government we all want. We all recognize you get what you measure, so identifying the appropriate kinds of metrics is critical to successful organizations. Influencing the right behavior through appropriate measurement programs is both science and art. The science is embedded in understanding the business side of the equation and the application of applicable measurement techniques, such as six sigma. The art is resident in the cultural aspects associated with change management, such as lean thinking that focuses on customer value and the pursuit of perfection. I believe performance measurement success comes when an organization moves from identifying inputs (raw materials), and goes beyond outputs (producing widgets) focusing on outcomes (results).

As the CFO for the Defense Finance and Accounting Service, I led the initiative to implement a performance measurement program for the finance and accounting function. We adopted a balanced scorecard methodology to measure our progress in attaining our goals and integrated this with a performance management process that aligns employee performance standards with scorecard metrics. At the Defense Finance and Accounting Service, through the use of metrics, we cascaded the balanced scorecard throughout the Agency linking organizational and individual performance plans to these measures. As a Senior Executive, my individual performance evaluation is directly tied to my organization's performance measures and, likewise, I link the individual performance plans of my direct reports to their measures. This is performance accountability at work. If confirmed, I would continue this pursuit for performance measurement and accountability in government operations.

Finally, I applaud the desire to continue developing a solid working relationship between the Department's Chief Financial Officer and the staff of this Committee and other Committees. These relationships are built on mutual respect, confidence in information sharing, and open communication. If I am confirmed, I want to build on those relationships to pursue what's best for the Nation as a whole. As a public servant, I will endeavor to ensure that the Congress gets the information it wants when it wants it and that the information is accurate and reliable. You can count on me to be open, honest, and forthright.

I began my remarks stating my intent to tell you about me and the take-aways I trust I have offered are:

- I am a firm believer in “business is business” and “financial management is financial management” and sound financial management transcends the business commodity, whether it’s private sector, Defense, or Energy.
- Discipline, review and measurement, accountability and an open book policy make strong partnerships.
- Relationship management is all about communication and trust.
- I have delivered and, if confirmed, I will continue to do so.

I grew up on a farm in rural Georgia, a proud daughter of C.A. Johnson. My father taught me many things. I recall one very important piece of advice he gave me and I want to share it with you all in closing. He taught me that while there are many ways you can get your foot in the door, there’s only one way you can keep it there and that’s through your skill, ability, and integrity. I come before you today, I believe, well equipped for the task ahead, and if confirmed, I pledge to work with you to remain in the door.

Mr. Chairman and Members of the Committee, this concludes my statement. Thank you for your consideration of my nomination and the opportunity to appear before you today. I would be pleased to respond to any questions you may have.

The CHAIRMAN. The Senator from Wyoming is here. Senator Thomas, do you have any questions?

Senator THOMAS. No, sir. I would like, if I might, just to take—make a short statement, however.

The CHAIRMAN. Please do.

STATEMENT OF HON. CRAIG THOMAS, U.S. SENATOR FROM WYOMING

Senator THOMAS. We are glad to have you here. Certainly your financial role will be very important, and I just wanted to share with you some ideas that I hope that we can follow in the Department of Energy. I think we have to have a policy. We have a long ways to go to provide this country with the energy that it needs, and we need to plan to do that.

For instance, in coal, we need the research so we can have clean air, so we can use that fossil resource, which is our largest supply. We need to look at the alternative uses, such as the hydrogen that we are talking about doing. And in that regard, of course, we are talking about the future gen facility. And obviously, I would like to see them look at Wyoming where the major coal is produced.

We need to take a look at our gas production. We can produce more. We need more permitting and to be able to move it there. We need to, I believe, begin to continue to have the Federal research facilities, such as RMOTC in Wyoming that does, for instance, now is working on sequestering CO₂. They were not even in the budget last year. They are in this year, but we need to pursue those things.

So I guess all I am saying is: It seems to me one of the responsibilities of the Department of Energy—and I am sure the Secretary is working that way—is to begin to try and develop a vision of where we need to go to deal with this question of providing the energy this country needs over the 10, 15 years in the future, and then to be able to set up a policy and see that we are moving in that direction. And the things we decide on intermediately will lead us to the goals that we have set. So we look forward to working with you and trying to move in that direction. And we are glad you are here.

Ms. GRANT. Thank you, sir.

The CHAIRMAN. Thank you very much, Senator.

Your background and statement, as well as the information you supplied in response to our committee questionnaire demonstrates your considerable qualifications for this position.

I do have a couple of questions related to associations that you and your husband have with government contractors, and your response to these would probably be best detailed in writing. So I ask that you agree to respond promptly to the written questions from me and other members following this hearing. Those responses will become part of this record as if they were given today.

Now, frankly, I know you will want to answer them, but if you or anybody over at that agency you are going to work for would have the fancy idea that you should not answer them, then you understand it does not harm me; it just means you will not be confirmed. So that would not be a very nice position, so I hope you will answer them quickly.

Ms. GRANT. Yes, sir.

The CHAIRMAN. They are pretty routine when we know what you have done. We are not trying to pry or anything, so if you will get them done quickly, you will get confirmed quickly.

Ms. GRANT. Yes, sir.

The CHAIRMAN. And that means very quickly, so I call on you to do that.

My observations have to do with the gigantic misnomer that exists when we call your Department, "The Department of Energy." Everybody in the country, including the oldest relative you have here, would—when you asked them "What does the Department of Energy do," he would say, "Well, they probably help the country produce energy." Well, just so you will know, that is not what it is at all.

It controls the nuclear weapons of the country. It has very little to do with the idea of being the Department of Energy, does it? It controls all kinds of peripheral issues that have little to do with energy. And over time, they have become part of what you have to work with.

It will not be easy and it will not take just a few weeks. And there are some experts around that have done the financing. Do not hesitate to ask them. They have had a couple of pretty good ones over the past decade, not very many, but a couple. And you can ask us or you can find out who they are, if you want to ask what the kind of skills are that you ought to develop to do that job.

I know you are all here for this big event, and I do not want to keep you any longer. I want to thank you, all of you, for showing your—by coming, you show us that her relatives think she is a great gal, a wonderful woman, and she ought to get this job.

We have said "okay" to an awful lot of men and women that could not muster up this many friends and relatives if we gave them two different hearings in three days. They just do not have them, but it is good that you have shown us that you do.

With that, awaiting your responses, which will be made a part of this record, we stand in recess.

Ms. GRANT. Thank you.

The CHAIRMAN. Thank you.

[Whereupon, at 2:50 p.m., the hearing was adjourned.]

APPENDIX
RESPONSES TO ADDITIONAL QUESTIONS

DEPARTMENT OF ENERGY,
OFFICE OF CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS,
Washington, DC, March 5, 2004.

Hon. PETE DOMENICI,
Chairman, Committee on Energy and Natural Resources, U.S. Senate, Washington, DC.

Dear Mr. Chairman: Please find enclosed, responses to questions from the Senate Energy and Natural Resources Committee for Ms. Susan Johnson Grant, nominee to be Chief Financial Officer for the Department of Energy.

If you have any questions or need further assistance, please do not hesitate to contact me.

Sincerely,

RICK A. DEARBORN,
Assistant Secretary.

[Enclosure]

RESPONSE TO QUESTION FROM SENATOR DOMENICI

Question. You have noted in your Committee questionnaire that your spouse is an employee of a contractor who has considerable business dealings with the Department of Energy. Please describe more specifically your spouse's position, including the extent to which his position may be associated with Department of Energy programs.

Answer. Mr. Douglas Grant is a Department Manager and Vice President at SAIC. As a Department Manager, Mr. Grant oversees a 45-person organization with annual revenues of less than \$7 million. SAIC is a company of over 42,000 employees with annual revenues over one billion dollars. Assistant Vice President is the lowest officer title in the company, followed by Vice President, Mr. Grant's title. Assistant Vice President and Vice President titles are based upon revenue levels managed. There are over 1,500 Assistant Vice Presidents and Vice Presidents in the company. Corporate officer-ship, those levels distinctly above Assistant Vice President and Vice President, is comprised of over 500 senior managers spanning some 25 different levels or categories.

All contract work under Mr. Grant's management supports the Air Force, especially the Deputy Chief of Staff for Air and Space Operations, Headquarters Air Force, located in the Pentagon. Mr. Grant has no contracts with DOE, nor does he or anyone under his management interface with any DOE organization in any advisory capacity.

RESPONSES TO QUESTIONS FROM SENATOR SCHUMER

Question. Ms. Grant, as the Department of Energy's Chief Financial Officer, I understand that a large part of your duties would relate to determining the proper sources and timing of funds to be reprogrammed within the Department of Energy to ensure the most efficient and effective execution of departmental programs. Could you please elaborate on what criteria you intend to use in evaluating reprogramming proposals?

Answer. As directed by Public Laws and Congressional Reports, the Department will promptly inform the House and Senate Committees on Appropriations and relevant Authorization Committees when a change in program execution or funding is required during the fiscal year. Reallocations of new or prior year budget authority or prior year deobligations will be submitted to the Committees in writing and will

not be implemented prior to approval by the Committees on Appropriations. Reprogramming requests will be considered when an unforeseen situation arises, and then only if delay of the project or activity until the next appropriations year would result in a detrimental impact to a Departmental program or priority. In addition, a reprogramming request may be provided to the Committees if a general reduction or prior year balance reduction unduly impacts a specific program, project or activity.

Reprogramming's would also be evaluated if the funding increase results in a significant cost savings to a program or activity. If a reprogramming intends to initiate new programs or to change program, project, or activity allocations that were denied, limited, reduced or increased by Congress, the Department would provide a proposal in advance to the Committees that fully justifies and explains the request.

Question. Currently, Congressional earmarks and other factors have led to a drastic reduction in the Department of Energy's budget for high temperature superconductivity (HTSC), which is a technology that promises to have tremendously positive impacts on system reliability, transmission capacity and the environment. The amount of funding provided for the development of this technology in FY04 has been reduced from approximately \$48 million to less than \$31 million. The cuts being faced by the program could lead to severe erosion of the knowledge base and infrastructure needed to bring this program to fruition. Would you be willing work with the Committee to identify and reprogram idle or low-priority funds that could be transferred to restore the HTSC program budget?

Answer. I am willing to work with the Committees on the Office of Electricity Transmission and Distribution's high temperature superconductivity funding situation.